DHCD
Maryland Department of Housing and Community Development

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Questions and Answers, No. 1

Request for Proposals (RFP) No. S00R7400001
Sub-Servicer for State-Funded Single Family, Multifamily, & Small Business Loans

August 30, 2016

The following Q&A is provided for informational purposes only. It is ***not*** an amendment to the RFP.

QUESTION: Please provide a breakdown of the delinquency and default status for each segment of loans, i.e. 30 days, 60 days, 90 days, 120+ days, foreclosure and bankruptcy.
ANSWER: See "Exhibit G – Loan Summary by Program – Total Number of Loans and Total Outstanding Principal Balances."

QUESTION: Please provide a breakdown of the loans by first and second lien, and please confirm that no foreclosure proceedings are required for second lien loans in default.
ANSWER: We do not have a complete breakdown by first or junior lien. However, we can offer by loan program:

I. Single Family
   a. First mortgage liens – Program MHFP and HMFP. Foreclosure proceedings are part of servicing this portfolio.
   b. First or second mortgage liens – Program Series 93. Foreclosure proceedings are part of servicing some of this portfolio.
   c. First or junior mortgage liens – HOME and IPP program. Foreclosure proceedings are a very small percentage of this portfolio, perhaps 1 – 3 loans a year.
   d. Junior mortgage liens – Programs EMA, HEMAP, REMP, RELAP.
   e. First mortgage liens, junior mortgage liens, and some promissory notes (original loan amounts $5,000 or under)– Programs MHRP and LICORP. There are some foreclosure proceedings in this portfolio -
   f. Unsecured promissory Notes – Program ARRA and MMP Promissory notes (Bogman Investor #43).
   g. Second Mortgage liens or promissory Notes – Program DSELP XTS and DSELP XTT. There are approximately 594 that are second mortgages and 359 that are unsecured promissory notes.
   h. The loan programs that have unsecured promissory notes are DSELP, ARRA, MMP, MHRP, and LICORP. We estimate there are only 450 unsecured loans in the entire Single Family State portfolio.

II. Multifamily & Small Business Loans:
   a. Multifamily loans can be first mortgage, second mortgages, junior mortgages. Small business loans are usually second or junior mortgages.
   b. All foreclosure proceedings on multi-family and small business loans are handled by DHCD and not the State Servicer.

QUESTION: Please confirm the exact simple interest calculation method for any daily simple interest loans.
ANSWER: For daily interest method is based on the terms of the loan (whether is based on 365, 360 days, etc.), which should be in the loan agreement documentation configured on a daily basis.

QUESTION: Please confirm that all loans in all categories under section 2b of Attachment F have no monthly principal, interest or escrow payments and do not require any monthly statements (as otherwise required under Section 3.2.1.5), escrow administration, escrow monitoring or monthly credit bureau reporting.
ANSWER: The loans in the 2b single family, multifamily, and small business categories do not require any monthly payments, escrow administration, monthly statements, or credit reporting.

QUESTION: Please confirm that the only servicing work required for these loans under section 2b of Attachment F would be to issue payoff statements, process payoff proceeds and remit these proceeds and payoff reports to DHCD.

ANSWER: For Single Family loans, you will still receive requests for short sales, loan modifications, deeds in lieu of foreclosure; please refer to the DHCD Single Family Servicing Manual. Multifamily loans may have a loan modification or assumption work required.

QUESTION: Please provide the estimated volume of new loan deliveries monthly by loan type.
ANSWER: Single family loans would be around 30 loans per year, multifamily loans 40 per year and small business loans 30 per year.

QUESTION: Please confirm if all new "flow" loans with escrow administration requirements will be delivered to the contractor with real estate tax service contracts in place or if the contractor will be required to purchase these contracts and if DHCD will then reimburse the contractor for the cost of the contracts.
ANSWER: For Single Family loans, first mortgage loans have tax service contracts, but not the junior mortgages, even if escrow is required. Multifamily & small business loans do not use tax service contracts.

QUESTION: Section 1.4.3 – Please confirm that the referenced "Go-Live Date" is the contract initiation date and not the date that the first loans are expected to be converted to the new contractor's system.
ANSWER: Under Section 1.2, "Go-Live Date" is defined as the date when the contractor must begin providing all of the services required. The "Go-Live Date" is the contract start date and is NOT the date loans are expected to transfer. The Department would like the loans to be transferred 60 days after the "Go-Live Date".

QUESTION: Section 2.1.1, No. 2 – Please confirm if a complete list of loans with similar characteristics is required including all of the specified data fields. Would summary reports with an officer certification be an acceptable alternative? The complete list or data file could include hundreds of thousands of loans.
ANSWER: This requirement has been changed; please refer to Amendment No. 2 to the RFP.

QUESTION: Section 2.1.3 – Please confirm if a current certificate of insurance for the error and omissions policy and fidelity bond would be sufficient with the bid submission, to be followed by a full copy of the insurance policy to be provided upon contract award.
ANSWER: Certificates of Insurance are required with submission of the bid. Upon awarding the contract, full copies of the policies are required. This requirement has been changed; please refer to Amendment No. 2 to the RFP.

QUESTION: Section 3.2.1.2 – Please confirm the new loan file and funding auditing requirements, including the list of documents to be audited and how the contractor will verify that all required funding to DHCD has been remitted and received.
ANSWER: Under Section 3.2.1.2, newly originated loans need to be reviewed to make sure the contractor sets up the loan with the same terms as in the deed of trust note as well as all documents required for servicing have been received. The list of documents to be received is located in Section 3.E.1 of the DHCD Single Family Servicing Manual and Attachment P of the Lender Manual. We will provide a copy of Lender Attachment P. When DHCD receives the close out from the sub-contractor, we confirm on the sub-servicer website that the loan has been set up and everything has been credited and set up correctly. Our finance department compares their records monthly with the servicer's records to make sure the balances match.

QUESTION: Section 3.2.1.2 – Please confirm if the loan files for the initial bulk portfolio conversion will also need to be audited to verify the loan data being provided by the current contractor.
ANSWER: Section 3.2.2 of the RFP – 3.2.1.1.2. Audit of all incoming servicing transfer files provides 60 days for the contractor to determine they have all documentation to service the loan. There is no requirement to review each and every deed of trust note to make sure the terms of the loan on the document match the servicing system. The list of documents required for the servicing file are listed, but not limited to in Section 2.B.4 on Page 14 of the DHCD Single Family Servicing Manual.

QUESTION: Section 3.2.1.14 – Please advise if DHCD would agree to a longer transfer schedule than 60 days upon contract termination to ensure full testing and compliance with Consumer Financial Protection Bureau (CFPB) and other applicable requirements.
ANSWER: DHCD would like the servicing transfer for the multifamily, small business, and deferred single family loans to be transferred in 60 days. DHCD would like the servicing transfer for the multifamily, small business, (small business and multifamily loans are not subject to CFPB) and deferred single family loans to be transferred in 60 days. The amortizing single family loans, which are the ones subject to CFPB and more of a concern may be transferred in 90 days from transfer, if there are compelling factors. There are only 2,130 loans with monthly payments; however 350 of these are unsecured promissory notes (therefore, not subject to CFPB), which leaves only 1,780 single family loans with monthly payments. The rest are deferred at 0%.